

Message Text

SECRET

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S E C R E T STATE 117064 TOSEC 040399

EXDIS

FOR GELB ONLY FROM BARTHOLOMEW

E.O. 11652: GDS

TAGS: MASS, OVIP (LESLIE H. GELB)

SUBJECT: ISRAEL F-16 COPRODUCTION STUDY

1. TARNOFF PASSED ME YOUR REQUESTS INCLUDING SECRETARY'S DESIRE FOR INTERAGENCY STUDY ON THE ISRAELI F-16 COPRODUCTION REQUEST, AND PARTICULARLY ECONOMIC AND COMMERCIAL CONSIDERATIONS.
2. WE RECEIVED FROM DEFENSE IN LATE APRIL THE MIDDLE EAST TASK GROUP'S REVIEW OF THE ISRAELI REQUEST. THIS REVIEW INCLUDED AN ASSESSMENT OF THE IMPACT OF THE ISRAELI REQUEST ON THE EUROPEAN CONSORTIUM ARRANGEMENT AND CERTAIN ECONOMIC CONSIDERATIONS. THE KEY CONCLUSIONS WERE THAT
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THERE IS A MILITARY JUSTIFICATION FOR 50 F-16S FOR DELIVERY DURING 1981 AND 1982 WITH AN EVENTUAL TOTAL BUY OF 125-150 AIRCRAFT AND THAT COPRODUCTION SHOULD NOT BE APPROVED. THESE CONCLUSIONS WERE SUPPORTED BY SECRETARY BROWN IN HIS COVERING MEMO.

3. THE STUDY MADE THE FOLLOWING POINTS ON THE ISSUES

YOU RAISE:

-- US PRODUCTION CAPACITY FOR THE F-16 IS CAPABLE OF PROVIDING THE INITIAL INCREMENT OF 50 AIRCRAFT AND THE REQUIRED SUPPORT AND TRAINING WITHOUT ADVERSE IMPACT ON US OR FOREIGN DELIVERIES.

-- ISRAELI COPRODUCTION COULD EXACERBATE OUR RELATIONS WITH OUR EUROPEAN PARTNERS AS A RESULT OF LIKELY DELAYS AND OF THE CREATION OF ANOTHER PRODUCTION LINE CAPABLE OF COMPETING WITH THEM.

-- ISRAELI PARTICIPATION IN THE PROGRAM AT A MUCH LOWER LEVEL THAN THEIR REQUEST COULD BE ACCOMMODATED WITHOUT SERIOUS IMPACT BY PERMITTING SUBCONTRACTS.

-- F-16 COPRODUCTION IN ISRAEL WOULD ADD 15 TO 25 PERCENT TO THE PROCUREMENT COSTS. ESTIMATE FOR US BUY OF 200 AIRCRAFT, WHICH IS AMOUNT ISRAEL WANTS TO COPRODUCE, IS ABOUT \$4 BILLION. COST OF 50 ADDITIONAL AIRCRAFT THROUGH DIRECT PROCUREMENT WOULD BE \$1 BILLION FOR A TOTAL OF \$5 BILLION WITHOUT COPRODUCTION.

-- VIABILITY OF ISRAELI AIRCRAFT MANUFACTURING CAN BE SUSTAINED BY INCREASED PRODUCTION OF KFIR.

4. "ECONOMIC AND COMMERCIAL CONSIDERATIONS" IN TERMS OF COST-EFFECTIVENESS OF ISRAELI F-16 COPRODUCTION THUS ALREADY COVERED BY DOD STUDY. IF YOU MEAN ECONOMIC
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COMMERCIAL IMPACT ON US, THEN WE WOULD INVOLVE LABOR, COMMERCE AND TREASURY AS WE USUALLY DO IN COPRODUCTION STUDIES.

5. DEPARTMENT HAS ALSO RECEIVED A REQUEST FROM BRZEZINSKI FOR A REPORT OF THE STATUS OF GOI REQUESTS FOR COPRODUCTION INCLUDING DEFINITION OF BASIC ISSUES IN EACH CASE AND FINANCIAL IMPLICATIONS FOR US. THIS HAS MAY 30 DUE DATE. LUCY BENSON HAS REQUESTED STUDY REACH HER BY MAY 26.

6. IN VIEW OF UNCERTAINTIES RESULTING FROM ISRAELI ELECTIONS AND POSSIBLE EFFECT ON OUR MIDDLE EAST STRATEGY, WE HAVE TO CONSIDER POSSIBILITY THAT STUDY MAY WELL LEAK TO ISRAELIS AS SOON AS IT IS BEGUN.

7. IN LIGHT OF FOREGOING, YOU MAY WISH TO DISCUSS THIS WITH SECRETARY AND GIVE US FURTHER GUIDANCE. PLEASE ADVISE. CHRISTOPHER

SUBJECT TEL REISSUED WITH DOWNGRADE CAPTION PER STATE 117405.

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